

Message Text

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PAGE 01 SAN JO 04105 291916Z

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FEA-01 PA-01 PRS-01 /092 W

----- 037758

R 291825Z SEP 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1573

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: ENRG, PINT, CS

SUBJECT: TAKEOVER OF TEXACO DISTRIBUTION BUSINESS

REF: SAN JOSE 4031 AND PREVIOUS

1. SUMMARY. TEXACO CONTINUES TO RECEIVE LITTLE INDICATION FROM THE GOVERNMENT OF HOW IT IS TO PROCEED IN DISPOSING OF ITS PETROLEUM DISTRIBUTION SYSTEM, BUT IT HAS BEEN TOLD BY RECOPE THAT IT MAY NEGOTIATE WITH ITS DEALERS, OR WITH THIRD PARTIES, FOR THE SALE OF ITS SERVICE STATIONS. AT LEAST FOR THE PRESENT, TEXACO MAY CONTINUE SUPPLYING AVIATION FUELS AND MARKETING LUBRICANTS, BUT IT WILL PROBABLY CEASE DISTRIBUTION OF GASOLINE AND DIESEL OIL AT THE END OF SEPTEMBER. END SUMMARY.

2. TEXACO OFFICIALS MET AGAIN WITH RECOPE PRESIDENT

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PAGE 02 SAN JO 04105 291916Z

GASTON KOGAN EARLY THIS WEEK, BUT RECEIVED VERY LITTLE

ADDITIONAL GUIDANCE. ACCORDING TO KOGAN, TEXACO IS FREE TO NEGOTIATE SALES OF ITS GAS STATIONS AND DISTRIBUTION FACILITIES TO DEALERS OF THIRD PARTIES. NO DEADLINE WAS SET FOR ACCOMPLISHING THE SALES.

3. KOGAN ALSO ASKED TEXACO IF IT COULD CONTINUE DISTRIBUTING GASOLINE AND OTHER FUELS TO ITS DEALERS UNTIL OCTOBER 31. TEXACO REPLIED THAT IT RESERVED THE RIGHT TO CEASE DELIVERIES BY OCTOBER 1, SINCE IT IS PRESENTLY LOSING MONEY ON ITS DISTRIBUTION BUSINESS DUE TO NEW GOVERNMENT-CONTROLLED PRICES SET ON SEPTEMBER 14, AIMED AT INCREASING THE INDIVIDUAL DEALER'S MARGINS. KOGAN

SAID HE WOULD REPORT TEXACO'S REPLY TO PRESIDENT ODUBER. TEXACO OFFICIALS STATED TO THE EMBASSY THAT IT IS ALMOST CERTAIN THAT TEXACO WILL CEASE DISTRIBUTION BY OCTOBER 1.

4. KOGAN ALSO STATED THAT TEXACO COULD CONTINUE ITS AVIATION FUEL BUSINESS ON A SIX-MONTH RENEWABLE BASIS. TEXACO POINTED OUT THAT AVIATION FUEL CONTRACTS WERE ON AT LEAST A ONE-YEAR BASIS AS WERE AGREEMENTS WITH THE AIRLINES. KOGAN AGREED TO ASK PRESIDENT ODUBER WHETHER HE WOULD AGREE TO PUTTING TEXACO'S AVIATION FUEL ACTIVITIES ON A ONE-YEAR RENEWABLE BASIS.

5. IN A MOVE THAT SURPRISE TEXACO OFFICIALS, KOGAN ASKED IF RECOPE COULD REPRESENT AND MARKET TEXACO LUBRICANTS. TEXACO REPLIED WITH AN UNQUALIFIED NO. KOGAN DID NOT PURSUE THE MATTER, BUT DID SAY HE WOULD REPORT TEXACO'S REPLY TO PRESIDENT ODUBER. IN THE MEANTIME, TEXACO MAY CONTINUE MARKETING LUBRICANTS.

6. COMMENT. TEXACO CONTINUES TO RECEIVE LITTLE GUIDANCE ON WHAT IT IS SUPPOSED TO DO TO FULFILL THE CONDITIONS OF THE PETROLEUM "NATIONALIZATION" LAW. GIVEN THE LACK OF DEFINITE INSTRUCTIONS FROM THE GOVERNMENT AND THE UNECONOMIC ASPECT OF CONTINUING DISTRIBUTION MUCH BEYOND THE END OF THIS MONTH, IT SEEMS LIKELY THAT TEXACO WILL QUICKLY SELL ITS GASOLIMITED OFFICIAL USE

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PAGE 03 SAN JO 04105 291916Z

LINE STATIONS AND DISTRIBUTION FACILITIES OVER THE NEXT COUPLE OF MONTHS AND CONCENTRATE ON PRESERVING ITS AVIATION FUEL AND LUBRICANT ACTIVITIES. THE OUTLOOK FOR CONTINUED OPERATION IN THOSE AREAS IS GOOD BECAUSE COSTA RICA HAS NO FACILITIES FOR PRODUCING EITHER AVIATION FUEL OR LUBRICANTS. THUS, IT MAY BE ARGUED THAT THOSE ACTIVITIES ARE TECHNICALLY OUTSIDE THE PURVIEW OF THE NATIONALIZATION

ACT. TEXACO'S NEXT MOVE IN THIS RESPECT DEPENDS ON
THE RESULTS OF KOGAN'S CONSULTATIONS WITH PRESIDENT
ODUBER ON ITEMS 3, 4, AND 5 ABOVE. KOGAN'S
REPEATED REFERENCES TO A NEED TO CONSULT WITH ODUBER
TEND TO CONFIRM REPORTS OF ODUBER'S CLOSE PERSONAL
INVOLVEMENT IN THE PETROLEUM DISTRIBUTION TAKEOVER.
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Margaret P. Grafeld
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